

**INTERNAL AUDIT REPORT
TOWYN AND KINMEL BAY TOWN COUNCIL
2022/23**

The internal audit is carried out by the following testing of the internal controls specified on the Annual Return for local councils in Wales:

- Checking that books of account have been properly kept throughout the year
- Checking a sample of payments to ensure that the Council's financial regulations have been met, payments are supported by invoices, expenditure is approved, and VAT is correctly accounted for
- Reviewing the Council's risk assessment and ensuring that adequate arrangements are in place to manage all identified risks
- Verifying that the annual precept request is the result of a proper budgetary process; that budget progress has been regularly monitored and that the council's reserves are appropriate
- Checking income records to ensure that the correct price has been charged, income has been received, recorded and promptly banked and VAT is correctly accounted for
- Reviewing petty cash records to ensure payments are supported by receipts, expenditure is approved and VAT is correctly accounted for
- Checking that salaries to employees have been paid in accordance with Council approvals and that PAYE and NI requirements have been properly applied
- Checking the accuracy of the asset and investments registers
- Testing the accuracy and timeliness of periodic and year-end bank account reconciliation(s)
- Year-end testing on the accuracy and completeness of the financial statements

The interim internal audit provides evidence to support the annual internal audit conclusion on the Annual Return for local councils.

Conclusion

On the basis of the internal audit work carried out, which was limited to the tests indicated above, in our view the council's system of internal controls is in place, adequate for the purpose intended and effective, subject to the recommendations overleaf. As part of the internal audit work for the next financial year we will follow up all recommendations included in the action plan.

JDH Business Services Ltd

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ACTION PLAN

	ISSUE	RECOMMENDATION	FOLLOW UP
2022/23 year end internal audit			
	No further issues arising – a robust set of year end records have been maintained with a comprehensive audit trail to supporting information.		
2022/23 interim internal audit			
1	Expenditure testing identified that an invoice received in 2022/23 for PLACE strategy work related to services delivered in the 2021/22 financial year. Therefore, the invoice should have been included as an accrual for services provided but not invoiced in the 2021/22 financial year.	Year end procedures must include a thorough review by staff of the services being delivered to the council as at the year end to identify any services provided that have yet to be invoiced. Any amounts identified as accruals must be included in the year-end balance sheet.	
2	Income testing identified a duplicate sales invoice in the Rialtas ledger. Further review identified this was an isolated error as the actual invoice did contain a unique sequential reference number.	The correct invoice numbers should be included in the Rialtas ledger to ensure a clear audit trail is maintained.	

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	ISSUE	RECOMMENDATION	FOLLOW UP
<i>2021/22 year end internal audit</i>			
1	The asset register records that the bus shelters, solar and LED lights and PVC planters are not insured. The clerk has provided an explanation to us for each asset type.	<i>The reasons why the council has taken the decision not to insure certain material fixed assets should be disclosed either as part of the annual risk assessment or within the asset register.</i>	<i>Implemented</i>
2	We were informed that £10k has been allocated to cover the council contribution towards a Community Place Plan Project from the Solar Funds held.	<i>The council should consider establishing an earmarked reserve to disclose the amount set aside as a contribution to the Community Place Plan Project.</i>	<i>Noted, however, full list of 2022/23 earmarked reserves now established.</i>
<i>2021/22 interim internal audit</i>			
<i>No further issues arising – a robust set of internal controls has operated during the period covered by the interim internal audit. We have now updated issue 2.) of the 2017/18 year end internal audit report regarding the Joint Burial Board to the following:</i> <i>‘We are informed that the cemetery is now full and therefore the future control of the cemetery will be passing to the principal council. Therefore, the JBC will cease to exist when this legal transfer has completed.’</i>			
<i>2020/21 year end internal audit</i>			
1	Fixed Asset Register:		

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	ISSUE	RECOMMENDATION	FOLLOW UP
	- CCLA funds are classified as fixed assets and included in the fixed asset register. These funds are long term investments and should be recorded in an investments register. - A small number of operating leases had been disclosed as fixed assets. The asset register has now been updated to remove these operating leases as the assets are not owned by the town council.	<i>CCLA funds should be included in a separate investment register as they are not fixed assets.</i> <i>Operating leases do not result in ownership of fixed assets by the council and therefore should not be included in fixed assets.</i>	<i>Implemented</i> <i>Implemented</i>
2	The risk assessment does not address the risks of supplier (procurement) fraud.	<i>The risk assessment should be updated to include supplier (procurement) fraud including the adequacy of supplier onboarding controls.</i>	<i>Implemented</i>
2020/21 interim internal audit			

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	ISSUE	RECOMMENDATION	FOLLOW UP
1	The threshold for tendering in the Standing Orders and Financial Regulations is not consistent. Standing Orders s18a v.) require a tender when a contract is above £45,000 whereas Financial Regulations require a tender process when the contract is above £60,000.	<i>The council should review the Standing Orders and Financial Regulations and ensure the tendering thresholds are consistent.</i>	<i>Implemented</i>
2	The supply of sundry garden goods dated 09/06/2020 for £659.6 was not supported by a valid invoice/voucher.	<i>Valid invoices/vouchers should be secured for all council expenditure</i>	<i>Implemented</i>
2019/20 year end internal audit			
<i>No issues arising from year end internal audit</i>			
2019/20 interim internal audit			
1	The updated Financial Regulations adopted in September 2019 do not contain a maximum financial limit for the	<i>The Financial Regulations should set a maximum balance that can be carried on the payment card.</i>	<i>Implemented</i>

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	ISSUE	RECOMMENDATION	FOLLOW UP
	payment card. A £500 maximum transaction limit has been established.		
2	The updated Financial Regulations refer to a Purchase Order system (which would also clearly evidence the authority to spend). However, no PO system is currently in place. The Financial Regulations for authority to spend require the Chair and Clerk to certify expenditure up to £1500 but this is not currently applied in practice.	<i>The council should establish a sequential Purchase Order system as required by the updated Financial regulations and ensure Purchase Orders for expenditure up to £1500 are signed by the Chair and clerk.</i>	<i>Implemented</i>
3	Capital expenditure of £1020 was incurred on 03/10/2019 for signs for the building. The capital additions have not been recorded in the fixed asset register.	<i>The asset register should be updated regularly for all capital additions.</i>	<i>Implemented</i>
<i>2018/19 year end internal audit</i>			
No further issues identified in the year end internal audit.			
<i>2018/19 interim audit</i>			

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	ISSUE	RECOMMENDATION	FOLLOW UP
1	Fixed assets There is significant capital expenditure recorded in the ledger for 2018/19 that is not recorded in the asset register, including CCTV and benches. The responsibility for insuring the defibrillators sited at the church had not been established.	<i>The asset register should be updated by the year end</i> <i>The council should clarify the insurance responsibility for the defibrillators located at the church</i>	<i>Implemented – 2018/19 year end asset register updated for all capital additions</i>
2	Room Hire income testing: - Invoices do not state whether charges are for a half day or a full days room hire - Public Health Wales were charged as a community/charity group rather than the statutory/commercial organisation rate	<i>Invoices should state whether the charges are for a half day or a full days room hire to provide an audit trail to the actual fees and charges schedule</i> <i>The correct status of a hiring organisation should be established before they are invoiced</i>	<i>Implemented</i>